

## Message Text

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ACTION AGR-20

INFO OCT-01 AF-10 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 IGA-02 RSR-01 L-03 /145 W  
----- 103314

P 161240Z JUL 73

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC PRIORITY 6820

C O N F I D E N T I A L KHARTOUM 1604

FOR STATE AND AGRICULTURE

E.O. 11652: GDS

TAGS: EAGR, ETRD, SU

SUBJ: GOS REQUEST FOR ADDITIONAL CCC CREDITS

1. SUMMARY: GOS HAS ASKED ON URGENT BASIS THAT USG EXTEND ADDITIONAL CCC CREDITS SUFFICIENT TO FINANCE PURCHASE 160,000 MT WHEAT. IN ADDITION TO BASIC CONCERN OF INSURING WHEAT SUPPLY FOR CURRENT FISCAL YEAR, GOS ALSO CITED SEVERE POLITICAL IMPACT ANY FAILURE TO DO SO. EMBOFFS NOTED EXISTING US SUPPLY PROBLEMS. ACTION REQUESTED: EMBASSY RECOMMENDS GOS REQUEST BE GRANTED IN WHOLE OR SUBSTANTIAL PART ON POLITICAL AND ECONOMIC GROUNDS.

2. REQUEST FOR CC CREDITS: HASHIM OSMAN, MFA DIRECTOR GENERAL TECHNICAL CORPORATION AND LIAISON (EQUIVALENT DEP U/S) SUMMONED THEN CHARGE SANDERSON AND EMBOFF JULY 12 TO MAKE FORMAL REQUEST ON URGENT BASIS FOR ADDITIONAL CCC CREDITS (OR ALTERNATIVELY PL 480 LOAN) TO FINANCE GOS PURCHASE 160,000 MT WHEAT. (EMBOFFS EXPLAINED UMR REQUIREMENT WHICH PRECLUDED PL 480 POSSIBILITY AT LEAST FOR PRESENT; REMAINDER OF DISCUSSION CENTERED ON CCC.) GOS OFFICIALS NOTED URGENCY NOT MATTER OF IMMEDIATE SHORTAGE OF WHEAT. (GOS RECENTLY PURCHASED 100,000 MT WHEAT IN US USING MOST OF EXISTING CCC CREDITS. THESE SHIPMENTS WILL CONFIDENTIAL

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BE ARRIVING LATER THIS MONTH AND IN AUGUST. SECOND HALF OF 23,000 MT PURCHASED UNDER PL 480 IS LIKEWISE DUE ARRIVE EARLY AUGUST.) RATHER GOS DESIRES ASSURE ITSELF AT EARLY DATE THAT NECESSARY SUPPLIES FOR CURRENT FISCAL YEAR WILL BE AVAILABLE AND WISHES AVOID

UNCERTAINTIES WHICH PLAGUED WHEAT SUPPLY SITUATION FOR SUDAN IN FY 73. OSMAN INITIALLY EXPRESSED HOPE US AGREEMENT COULD BE FORTHCOMING WITHIN WEEK, BUT SUBSEQUENTLY OPTED FOR AS SOON AS POSSIBLE. GOS OFFICIALS ESTIMATED TOTAL CREDIT REQUIRED MIGHT BE ABOUT \$20 MILLION.

3. EMBASSY RESPONSE. EMBOFFS RESPONDED BY CITING UNIQUE SITUATION CURRENTLY FACING US AGRICULTURE COMMODITIES; SURPLUSES GONE, BUYERS STANDING IN LINE. AS RESULT CASH SALES NOW TAKING PRECEDENT AND ROLE FOR CCC CREDIT SOMEWHAT UNCERTAIN. EMBOFFS ALSO NOTED PROBLEM OF GOS DEBT LEVEL. IF CREDIT GRANTED AND UTILIZED, TOTAL OUTSTANDING CCC LOANS TO GOS WOULD BE IN VICINITY \$40 MILLION, ALL REPAYABLE WITHIN THREE YEARS. THIS FIGURE NOT INSIGNIFICANT AND COULD BE MATTER OF CONCERN TO IMF/IBRD AS WELL AS GOS. EMBOFFS UNDERTOOK TRANSMIT REQUEST.

4. POLITICAL FACTOR: DIR GEN OSMAN CLOSED DISCUSSION BY STRESSING UNIQUE CHARACTER WHEAT IN SUDANESE SUPPLY SITUATION. IT NOT JUST ANY OTHER IMPORT, BUT KEY COMMODITY IN GREAT DEMAND WITH MOST INFLUENTIAL ELEMENTS OF SOCIETY. ADEQUATE AND TIMELY SUPPLY MAJOR CONCERN FOR GOVERNMENT. IF THIS NOT ACHIEVED SERIOUS POLITICAL PROBLEM WOULD CLEARLY RESULT.

5. DISCUSSION: EMB BELIEVES GOS REQUEST SHOULD BE CONSIDERED WITHIN FOLLOWING CONTEXT:

(A) WHEAT SUPPLY AND CCC CREDIT AVAILABILITY:  
WHILE POINTS OF CAUTION CITED BY EMBOFFS TO GOS ARE REAL, EMBASSY ASSUMES US AND FOREIGN WHEAT WILL BE AVAILABLE COMMERCIALY TO THOSE WILLING TO PAY PRICE. WE LIKEWISE ASSUME THAT, WHILE CCC CREDITS PERHAPS NO LONGER STRICTLY NEEDED TO PROMOTE US WHEAT SALES, PROVISIONS BEING MADE TO CONTINUE SUCH FAVORABLE COMMERCIAL CREDITS FOR LEAST DEVELOPED COUNTRIES SUCH AS SUDAN WHERE REQUIREMENT FOR IMMEDIATE CASH PAYMENT WOULD BE MAJOR ECONOMIC BLOW OFFSETTING BENEFITS US AID PROGRAMS.

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(B) GOS DEBT CEILING: AS NOTED PREVIOUS EMBASSY REPORTING AND HIGHLIGHTED IN IMF REPORTS, GOS DEBT SERVICE PROBLEM OF GROWING IMPORTANCE, EVEN FOR U.S. ON BASIS EMB CALCULATIONS, GOS HAS USED SOMEWHERE IN VICINITY \$23 MILLION OF TWO CCC CREDITS EXTENDED SINCE AUG. 71. REPAYMENTS PRESUMABLY JUST UNDER \$3 MILLION LEAVING OUTSTANDING DEBT OF \$20 MILLION. THIS WOULD BE NEARLY DOUBLED BY PROPOSED PURCHASES 160,000 MT. TOTAL PICTURE IS SUBSTANTIAL FOR COUNTRY IN SUDAN'S FINANCIAL PLIGHT. ON OTHER HAND, WHEAT, UNLIKE RECENT BOEING CREDITS, IS NOT SOMETHING WHICH GOS CAN BE EXPECTED TO DO WITHOUT. GOS WILL PURCHASE WHEAT SOMEWHERE, EITHER ON CREDIT OR ON COMMERCIAL TERMS. CCC CREDITS ARE LESS OF A BURDEN THAN NORMAL COMMERCIAL TERMS, US WOULD REMAIN PRINCIPAL SUPPLIER AND GOS HAS GOOD DEBT

REPAYMENT RECORD.

(C) INTERNAL POLITICAL IMPACT: WE BELIEVE THERE IS NO DOUBT AS TO VALIDITY OSMAN'S STATEMENT THAT INADEQUATE GOS HANDLING WHEAT SUPPLY SITUATION WOULD HAVE MAJOR ADVERSE DOMESTIC POLITICAL IMPACT. OF COURSE, ONLY MINORITY OF POPULATION CONSUMES WHEAT, BUT THIS ENCOMPASSES URBAN AREAS INCLUDING THE CAPITAL. WHEAT PROBABLY SECOND ONLY TO SUGAR AMONG COMMODITIES WHICH GOS MUST SUPPLY IN TIMELY FASHION. IN ADDITION AVOIDING SUCH NEGATIVE IMPACT, WE SUSPECT PART OF URGENCY CITED BY MFA IS DESIRE MAKE POSITIVE MOVE TO COUNTER CURRENT CRITICISM REGARDING DEFICIENT SUPPLY SITUATION IN GENERAL. IF CREDITS GRANTED, GOS WILL CERTAINLY PUBLICIZE HOW IT TAKING STEPS IN ADVANCE TO MEET FUTURE NEEDS. SUCH ANNOUNCEMENT WOULD ASSIST NIMAIRI'S EFFORTS MEET CURRENT UNREST.

(D) IMPACT ON US-SUDANESE RELATIONS:  
AS NOTED RECENTLY SUBMITTED PARA DRAFT, USG DENIAL OF FURTHER CCC CREDITS WOULD HAVE STRONG ADVERSE IMPACT ON US-SUDANESE RELATIONS. REGARDLESS OF PROBABLE JUSTIFICATION, SUDANESE WOULD SEE IT AS USG DENIAL ASSISTANCE TO THE COMMODITY SUPPLY AREA WHERE IT IS MOST VULNERABLY POLITICALLY. IN BROADER SENSE, WHEN COUPLED WITH LIMITATIONS ON PROPOSED FY 74 AID PROGRAM AND DELAYED RESPONSE ON DROUGHT ASSISTANCE, ANY USG REFUSAL ON CCC WOULD LIKELY CONFIRM VIEW OF MANY THAT USG HAS FAILED TO GIVE SUPPORT TO SUDAN THAT GOS HAD RIGHT EXPECT IN WAKE  
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RESUMPTION DIPLOMATIC RELATIONS. WHILE WE DO NOT ACCEPT THAT ASSESSMENT, THE FACT OF THE REACTION WOULD NOT BE IN OUR INTEREST. A POSITIVE USG RESPONSE, HOWEVER, AT A MOMENT OF PARTICULAR GOS NEED WOULD BE NOTED AND APPRECIATED AT KEY GOS LEVELS.

6. COMMENT: IN SUM, WE BELIEVE USG SHOULD AGREE TO ADDITIONAL CCC CREDIT REQUESTED BY GOS. WHILE PROVIDING CREDITS TO FULL LIMITE DESIRED WOULD HAVE GREATEST IMPACT, EVEN AGREEMENT TO EXTEND CREDITS IN LESSER AMOUNT (E.G., UP TO LEVEL OF 100,000 MT) WOULD MEET MANY OF OBJECTIVES FROM BOTH US AND GOS POINT OF VIEW. ACTION REQUESTED: THAT USG APPROVE GOS REQUEST FOR ADDITIONAL CCC CREDITS. FRITTS

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